# EXHIBIT 2030, PART 2 TO CISNEROS DECLARATION REDACTED VERSION

**Salary Range Movement Process**

(intel)

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## Midpoint Movement Consideration

Midpoints should approximate market average aged to October
  - **Non-sales** = average market base
  - **Sales** = average market tcash

Merit budgets may drive movement if ranges currently competitive

Do not worsen market position problems

Beware of skewed data

Move individual grade midpoints in context of full structure movement to maintain midpoint progression (typically 10%-30%)

If you need to move individual grade ranges by different percents, you will alter gaps and you need to judge how much to move them.
  - Focus on the grades with the most Intel incumbents, and build around these.
  - It is okay to have differing midpoint progression, overlaps and spreads based on market data and internal needs.
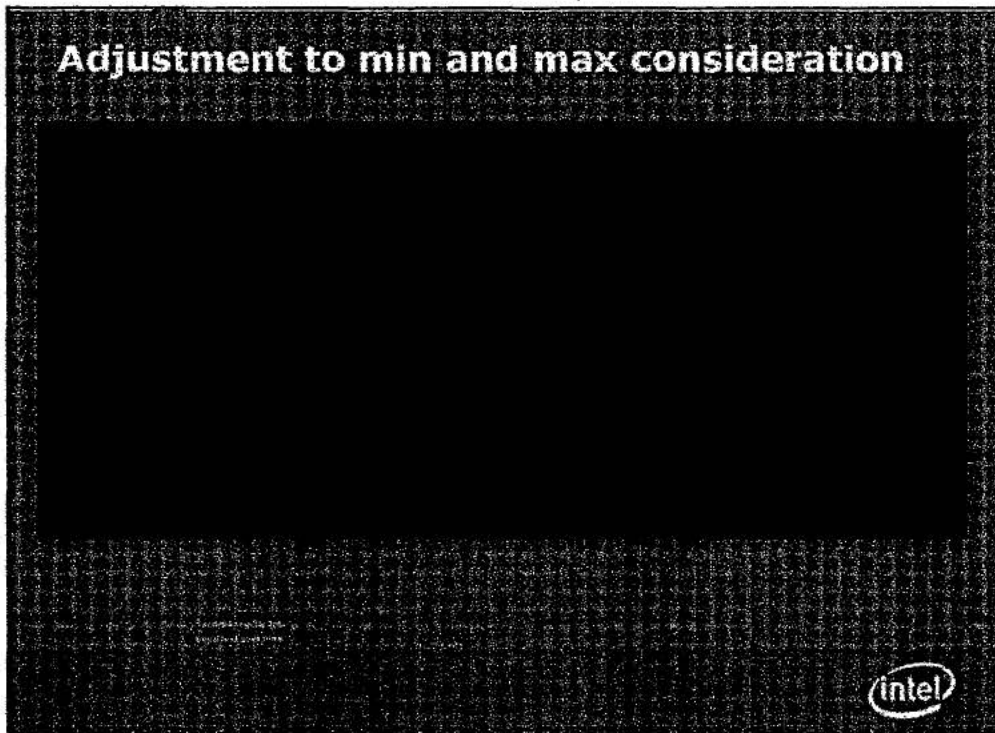
(intel)

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Adjustment to min and max consideration

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## New this focal...

The problem: *Salary Range Shortfall*

- Salary ranges are constructed to accommodate the market values of *all* the jobs in the grade level.
- There are many job families with wide variances of market pay rates in one grade level; Midpoints no longer reflect "market average pay rates" --

The solution: *Target Reference Ranges*

- Develop narrower pay ranges that are tied to both the external market and Intel's pay goals.

What happens to our existing salary ranges?

- Target Reference Ranges will sit "inside" our existing ranges, and may eventually replace them. Some countries may continue to use ranges as they currently exist.
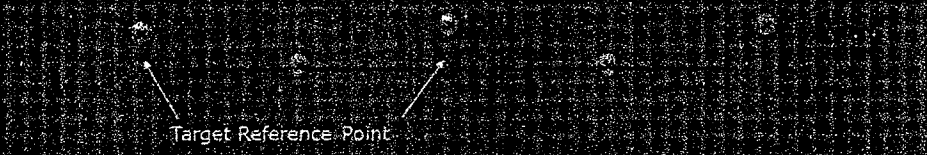
(intel)

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**Target Reference Ranges**

Target Reference Ranges will be built around Target Reference Points
They will look similar to current ranges, but not as broad

Current Range:

Target Reference Ranges:

Target Reference Point

(intel)

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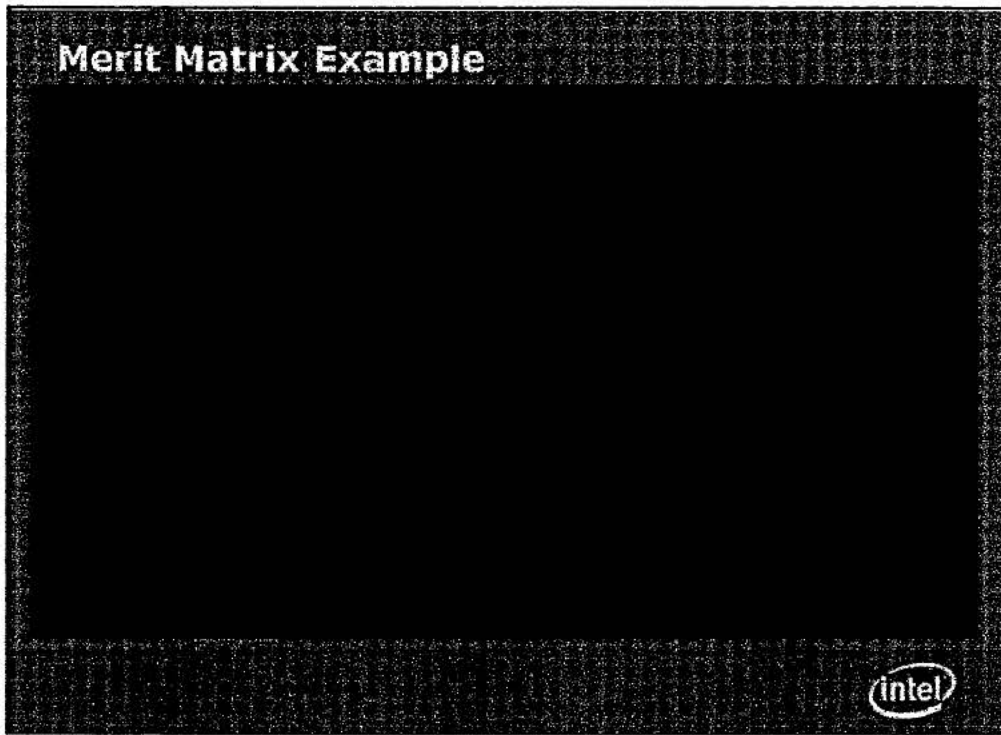## Merit Matrix

A merit matrix is a tool used to:
- Allocate individual merit increases based on performance and salary range position
- Manage the merit budget
- Pay people fairly for what they do

(intel)

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Merit Matrix Example

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## Merit Matrix Creation

Once you have your focal budget and have moved salary ranges, you can develop your merit matrix.

Calculate **range penetration**

- Use new ranges (after moving them for Focal)
- For each salary structure:
  - Count the number of employees in each quartile of the range for each grade. (labeled "Compa Ratio Quartile" in Reward)
  - Determine percent of employees in each quartile.

Use guideline or actual **rating distribution** data

(intel)

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## Merit Matrix Creation

Use spreadsheet software to calculate
- Enter percents for range penetration and rating distribution.
- Apply merit budget (which is the target matrix yield) to cell with largest population
  - Successful rating & quartile with highest population
- Adjust cells until budget yield is equal to or slightly less than merit budget
- Increase Guidelines:

(intel)

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## Promotion Guidelines and Budget

**Promotion increase objective:**
- Promotion increase should be meaningful
- Promotion increase should bring employee to a position in the new range that is within 2 or 3 merit cycles of the average pay in that grade
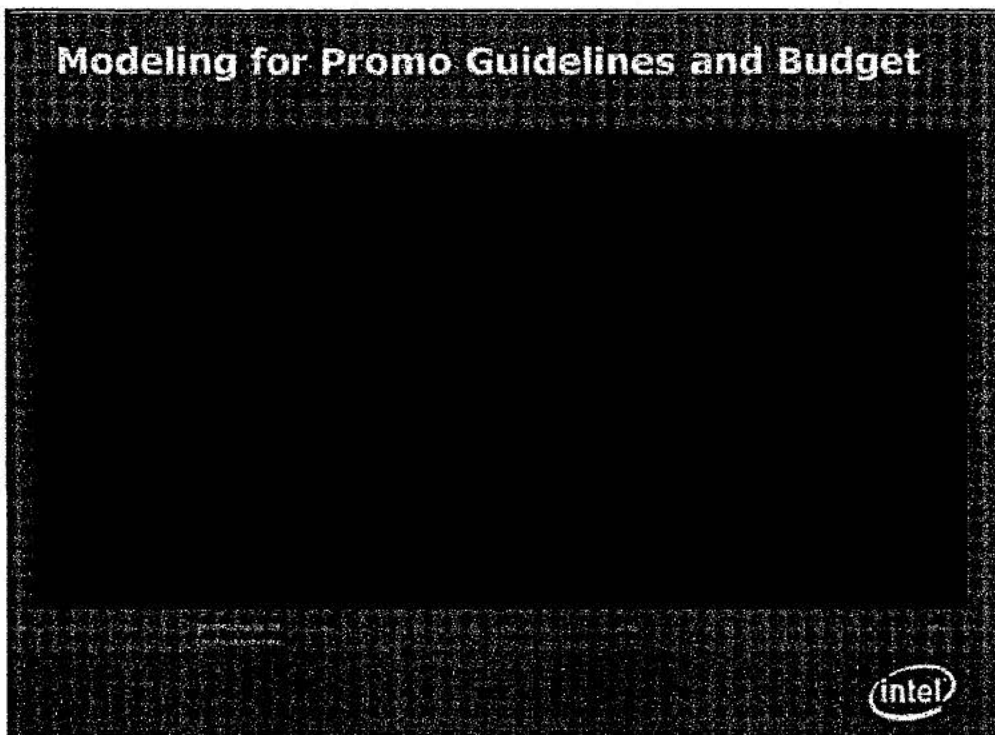
**Promotion Guidelines:**
- Participation %
  - typically higher for lower grades and lower for the higher grades
- Individual promotion increase %
- Developed for grade groupings (e.g. non-exempt, 2-6, 7+, sales)

(intel)

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# Modeling for Promo Guidelines and Budget

(intel)

**Determine Promo Budget and Guidelines**

(intel)

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# Exhibit C

# Compensation 201
## Instructor Guide

Intel University: http://intelu.intel.com
IU Course Code: ????????
IU Part Number: ????????
IU Rev 1, 12/15/2006

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Participant Guide – Comp

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Compensation

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# Table of Contents

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# Basic Course Information for Instructors

**Course Description**

This is the second course in a series designed to support HR business partners in working more effectively with their business groups.

Compensation 101 is a basic class that describes the basic components of Intel's Compensation and Benefits Program. This class is designed as a follow on to that course.

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## Compensation 201

**Course Goals**

The course goal is to help BGHR gain a more thorough understanding of Compensation processes so they may be able to more effectively partner with the business.

By the end of this class, participants will be able to:

- Explain Intel's Compensation Benchmarking strategies, timelines, and objectives and the key BGHR engagement points.
- Explain the different factors used to develop Intel's yearly Focal Budget with emphasis on the special market adjustment (SMA) budget development process and the key role BGHR plays in that process.

**Instructor's Role**

As an instructor you will want to:

- Familiarize yourself with all class material prior to delivering the class. Relevant materials include:
  - Instructor Guide
  - Participant Guide
  - PowerPoint slides
  - Practice Exercises
- Use facilitation techniques that help participants engage with the content. This means you will need to provide relevant examples, ideas, and experiences whenever possible.
- Please use the practice exercises in each session you teach. Research has shown that practice helps people learn. Therefore you can best facilitate learning by taking the class time to complete the exercises.

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## Compensation

## 201

**Virtual
Sessions**

Facilitating virtual sessions requires a little more active participation and focus on the part of the instructor. If you are teaching a virtual sessions use the following guidelines to help make the session more successful.

- At the beginning of the session, ask all participants to send an email message to you saying they are attending. Keep you Outlook application open so you can see the list of participants at a glance. Let them know that you will use the list of their names to ensure that they receive credit for the class.

- Ask all participants to close all computer applications except for Word and PowerPoint. Do a round robin series of "yeses" to get the commitment that they have done so.

- Whenever you can, especially during the practice exercises call on the participants by name to ask them questions and to draw them into the conversation. This will help ensure that they stay engaged in the material.

- During the practice exercises, instead of dividing into groups, have each participant take the allotted time to complete the exercise individually. Make sure you include as many people as possible in the report out.

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**Compensation 201**

# Class Outline

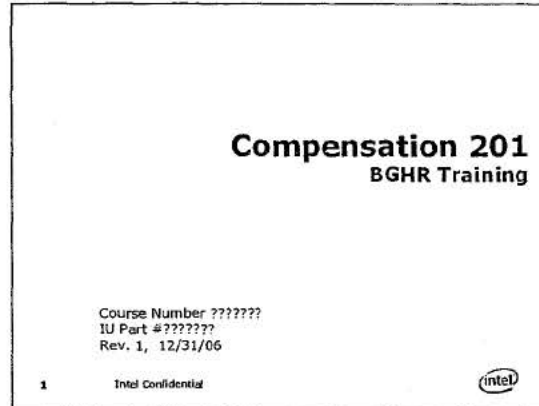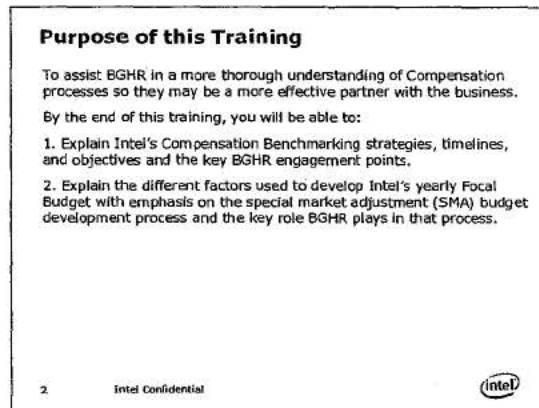| Approximate Elapsed/Finish Time | | Topic/Activity |
|---|---|---|
| 5 minutes | :05 | Welcome and Overview |
| 30 minutes | :35 | Intel's Compensation Benchmarking |
| 5 minutes | :40 | Practice Exercise |
| 10 minutes | :50 | Debrief Practice Exercise |
| 40 minutes | 1:30 | Focal Budget Development |
| 5 minutes | 1:35 | Practice Exercise |
| 5 minutes | 1:40 | Debrief Practice Exercise |
| 10 minutes | 1:50 | BGHR Role in Compensation |
| 5 minutes | 1:55 | Q&A, Conclusion and Wrap-up |

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## 201

# Course IntroductionClass OutlineClass Outline

Slide 1 - Title

**Compensation 201**
**BGHR Training**

Course Number ???????
IU Part #???????
Rev. 1,  12/31/06

1    Intel Confidential                    (intel)

This is the title slide for the class. Display the slide while people are getting settled in the room.

Slide 2 –
Purpose of this
training

**Purpose of this Training**

To assist BGHR in a more thorough understanding of Compensation processes so they may be a more effective partner with the business.

By the end of this training, you will be able to:

1. Explain Intel's Compensation Benchmarking strategies, timelines, and objectives and the key BGHR engagement points.

2. Explain the different factors used to develop Intel's yearly Focal Budget with emphasis on the special market adjustment (SMA) budget development process and the key role BGHR plays in that process.

2    Intel Confidential                    (intel)

Explain that the overall goal for this training is to enable BGHR to take a stronger partnership role answering compensation related questions posed by their individual business groups. There are three main objectives for this training.

For each major objective the class will include some basic content and a chance to practice using the information presented.

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Compensation

## 201

**Course IntroductionClass OutlineClass Outline,** *Continued*

Slide 3 – Comp
101 Review

**Compensation 101 Review**

> Compensation 101 (Formerly Compensation Basics) learning
Objectives

1. Intel's T-Comp Philosophy Objectives
   - Maintain an above market-average pay position while achieving company growth, success, and risk sharing through variable pay and stock programs
   - Align employee, company, and shareholder goals
   - Provide rewards and incentives in a meritocratic manner
2. Focal Budget development: Benchmarking and the application of competitive data in building Focal money and Stock budgets
   - The Benchmarking process
   - Salary Grades and Ranges
   - Total Cash Goals
   - Focal Budget components
   - Stock
3. The Pay Letter and how to deliver it effectively
   - A comprehensive statement of total cash compensation
   - Modeling and scenarios that show the total potential cash compensation
   - The potential value of the Stock grant

3          Intel Confidential                          (intel)

Explain that most of the participants should have already completed Compensation 101, the basic compensation class for BGHR.

Go over the topics on the slide and explain that these are the topics covered in Comp 101.

Explain that this class will only take a few minutes to briefly review those basic components before moving into the main content for this class.

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**Compensation 201**

## Course IntroductionClass OutlineClass Outline, *Continued*

Slide 4 - Comp
101 Quiz

> **Comp 101 Quiz**
> > The Merit budget is driven by:
> > - The cost of living
> > - The cost of labour
> > - Intel's profit margin for the year
> > SMA is recommended for jobs that are:
> > - Behind goal (might need to add a few more words here)
> > - Behind market
> > - Lagging the market average pay
> > Promotion money is used to:
> > - Bring pay to the minimum of the new grade salary range
> > - Bring pay to the appropriate point in the new grade salary range
> > - Bring someone up to market when no market dollars are available
> > The market analysis process uses data from:
> > - The U.S. peer company list
> > - Local country peer companies
> > - C&B and the highest paying companies
> > Intel's Stock program is:
> > - Funded by a limitless allocation of shares
> > - A combination of Restricted Stock Units and Stock Options
> > - Limited by the desired dilution rate
>
> 4          Intel Confidential          (intel)

Quickly ask the class the questions in this quiz.

Here is the answer key for the quiz:

1. The Merit budget is driven by:
   The cost of living
   The cost of labour (correct answer)
   Intel's profit margin for the year

2. SMA is recommended for jobs that are:
   Behind goal (correct answer)
   Behind market
   Lagging the market average pay

3. Promotion money is used to:
   Bring pay to the minimum of the new grade salary range (correct answer)
   Bring pay to the appropriate point in the new grade salary range
   Bring someone up to market when no market dollars are available

4. The market analysis process uses data from:
   The U.S. peer company list
   Local country peer companies (correct answer)
   C&B and the highest paying companies

5. Intel's Stock program is:
   Funded by a limitless allocation of shares
   A combination of Restricted Stock Units and Stock Options
   Limited by the desired dilution rate (correct answer)

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**Compensation**

## 201

**Course IntroductionClass OutlineClass Outline,** *Continued*

Slide 5 – Focus
of Comp 201

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**Compensation 201**

> Building on Compensation 101
> Special emphasis on Compensation Planning Cycle and BGHR
   engagement points; SMA

5          Intel Confidential                    (intel)

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Explain that the Comp 101 quiz constitutes the review of that
class. The remainder of this class will focus on the
compensation planning cycle with emphasis on the BGHR
role in that cycle.

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# Intel's Compensation Benchmarking

Slide 6 –
Compensation
Strategies

**Explain Intel's Compensation Benchmarking strategies, timelines, and objectives**

6    Intel Confidential    (intel)

Slide 7 –
Benchmarking
Methodology

**Compensation Benchmarking Methodology**
➤ **What:** Process used to compare and analyze Intel pay rates with market pay rates for a relevant peer group.
➤ **When:** Annual process
➤ **How:** The data is collected from third party salary surveys
➤ **Why:** Efficient and reliable method to collect world wide salary data.
  – Salary survey companies are confidential third parties specializing in this work
  – Data is verified
  – Data includes other information on pay practices, compensation plan designs and trend information
• In the US we must comply with Anti trust legislation
  – The Sherman Antitrust Act prohibits unfair methods of competition. One method of creating unfair competition is price fixing (i.e. salary fixing). Salary fixing occurs when competing organizations agree to stabilize or control the pay of position(s) for the entire market.
• Primary survey providers
  – GAM- Radford International, CHiPS
  – GAR- Mercer Int'l (APITT), Watson yatt, Hewitt
  – GER- Towers Perrin, Hewlet Packard, Watson Wyatt, Euro Comp
• We may use supplemental surveys that are focused on specialty jobs such as the Foushee Survey that covers the Environmental Health and Safety job niche.

7    Intel Confidential    (intel)

This slide explains the standard methodology that Intel follows for compensation benchmarking. Review the slide and give people a chance to ask questions. If there are any questions you can not answer make a commitment to get the answer later.

Common follow up question: what do you do with jobs that aren't benchmarked?
Answer: we use like-jobs and job families to estimate the prevailing rates

Ad hoc benchmarking may also be done through out the year as needed.

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Compensation

## 201

## Intel's Compensation Benchmarking, Continued

Slide 8 –
Defining the
Market

**Defining the Market**

➢ Compensation, with Business Input, selects competitors (peer
companies) that best represent our market
  • They should be of similar size, geographic locations and industry
    – Leading, proven technology companies
    – Competitors for people and products
    – Competitors with comparable HR programs, jobs, and business
      environment
  • Surveys are selected that offer the greatest depth of peer company
    data
➢ Compensation, with Business Input, annually validates our competitor
list to ensure a relevant mix of competitors across our business
segments
  • Blend of semiconductor, software, networking, and diversified
    computer companies
  • Supplement with additional companies and industries as
    appropriate
➢ Salary data is not listed per company for confidentiality and legal
compliance reasons.
  • Antitrust legislation governs salary benchmarking practices

➢ T Comp Companies 2007 U.S. T-Comp Competitors (peer Companies)

8        Intel Confidential                                    (intel)

Explain that business input refers to working with the MCM
C&B advisory group.

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Compensation 201

**Slide 9 – BGHR Role**

**BGHR Role in Salary Benchmarking**

➢ **BGHR partners work with their compensation consultant to provide business specific information to insure accuracy in the annual Compensation Benchmarking Cycle**
  - Identifying competitors for our top talent
  - Giving input on critical jobs
  - Partnering on job matching to insure we are benchmarking against the right jobs in the market.
  - Advising when emerging skills are hot
  - Advising when jobs have significantly evolved to warrant a new benchmark.

➢ **Compensation Consultants interface with the Compensation Analytics and Research (CAR) team to integrate this business intelligence into the compensation planning process**
  - CAR Team owns the market survey process and the vendor relationships with survey providers
  - CAR team owns the development of the Focal budgets
  - CAR team drives compensation planning at Intel and develops our salary administration policies and procedures.

9          Intel Confidential          (intel)

# Intel's Compensation Benchmarking, Continued
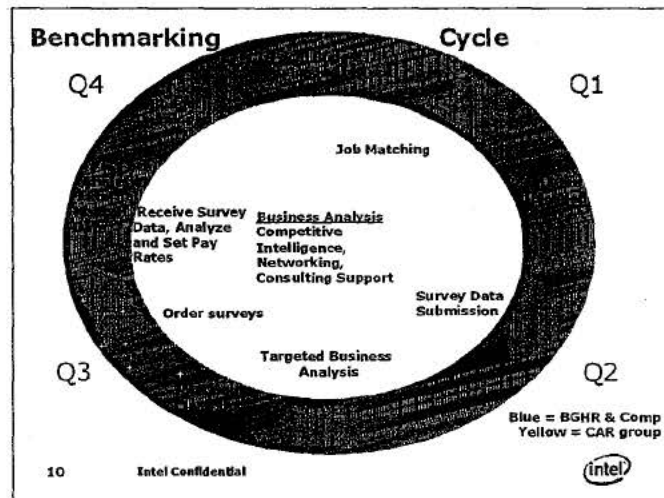
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Compensation

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Slide 10 –
Benchmarking
Cycle

**Benchmarking                    Cycle**

Q4                                    Q1

Job Matching

Receive Survey  Business Analysis
Data, Analyze   Competitive
and Set Pay     Intelligence,
Rates           Networking,
                Consulting Support

Order surveys                  Survey Data
                               Submission

Targeted Business
Analysis

Q3                                    Q2

Blue = BGHR & Comp
Yellow = CAR group

10          Intel Confidential                (intel)

This is where I think you need to add more explanation .
Explain how they might talk through this slide…

Rev. 1, 12/15/2006                    13              Participant Guide – Comp
201

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## Compensation 201

**Intel's Compensation Benchmarking,** Continued

Slide 11 – Job
Matching



**Job Matching**

**What:** The First step in benchmarking.
Intel Jobs are matched to jobs in the market based on job content and description as well as skill (grade) level;

➢ **When:** Job matching occurs in Q1

➢ **How:**

- Benchmark job: A job that is commonly found across many companies and used to make pay comparisons, either within an organization or to comparable jobs outside the organization.
  - Example- Electrical Engineer
- Typically 80% of all Intel jobs are matched to a position in the market
  - Rates for unmatched jobs are derived based on positions with similar skill set requirements, scope and job family data.
- All job matches are reviewed on an annual basis.
  - Changes to job matching are reviewed by Compensation consultants
  - Business input is collected where needed.
  - Job code usage is reviewed Job matching data is submitted to the survey companies in Q2 after focal upload is complete.
  - New jobs to a survey are reviewed and an Intel match is determined.
- Job Matching data is submitted to the survey companies on an individual basis that includes:
  - Base Pay Rate, Actual Total Cash and Stock

11        Intel Confidential        (intel)

Shorten definition of a benchmark job. Not sure what this means but thought I might flag it since it was in the speaker notes/

To determine a match we require 70% match of job description to market description.

- Some jobs may be recommended for inactivation if there is no market data to support the position, and there are less then 20 incumbents World Wide.
- An individual basis- data is confidential we do not submit names but do submit partial WWID's for trending data for the survey.

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Compensation

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## Intel's Compensation Benchmarking, Continued

Slide 12 – Job
Matching
Examples

**Job Matching Examples**

> Intel Jobs may have more then one match
  to market survey data
  · Example- Commodity Manager was matched to Purchasing
    manager, and Commercial Contracts Management in the
    CHIPS salary survey report.
    – This may be updated and the most appropriate match selected in the Q1
      job matching process
    – The most appropriate match would be the position description that is at
      least a 70% match to our description.

> Matching more then one Intel job to one market job
  · Example Process Engineer and Process TD Engineer- both jobs are matched
    to the Process engineer job in the Radford Survey
  · During job matching this will be flagged and sent to Business Group
    Compensation to determine if one of the job codes should be inactivated.

> Accurate job matching is key to success in benchmarking
  · Critical that Intel employees be in the job codes that most reflect the work
    they are expected to perform.

12    Intel Confidential                                         (intel)

*Is this one of the places that BGHR needs to work closely with
the business group? If so, you might want to say something
around that... I can't tell from the content where that happens...
That seemed like a pretty important part of the objectives so I
want to make sure we call out where it's supposed to happen.
You might want to add some instructor notes here that speak to
that.*

Slide 13 –
Survey Data
Analysis

**Survey Data Analysis**

> The Compensation Analytics and Research Team (CAR)
  drives the market data analysis process.
> Survey market data is received in annually in mid October
>

13    Intel Confidential                                         (intel)

*Continued on next page*

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## Compensation 201

## Intel's Compensation Benchmarking, Continued

Slide 14 –
Supplemental
Surveys

**Supplemental Surveys**

> In some cases it may be appropriate to participate in additional surveys beyond the T-Comp competitor list. Here are some key questions to ask to determine if there is a need for a special survey for a given position.

1. Do we have current data on the position from our primary survey sources in the geography?
2. Do we have data on similar positions that is sufficient to estimate a rate?
3. Is this a critical position for the organization?
4. Surveys are costly and will be paid for by the business. Is there a significant ROI?
5. Is there high turnover in this position? Offer rejection data? Other indicators that demonstrate there may be a compensation issue?
6. Is this a different/new skill set for Intel? Ex Bio Tech engineer.
7. Is this a new market for Intel geographically?  Ex Viet Nam

> Guidelines for determining a survey's legal compliance and effectiveness:

- Data cannot reflect any factor that may allow someone to identify a participating organization.
- Data shown must be only aggregate results.
- The data must be more than three months old.
- There must be at least five companies and ten incumbents per benchmark job.
- No organization can represent more than 25% of the aggregate data
- Number of Jobs matched
- Cost per job match

14        Intel Confidential        (intel)

Explain to the participants thatsupplemental surveys can occur at any time during the year - the business will often request to see the survey data that matches jobs in their business. BGHR needs to be able collect the data and recognize when it would be appropriate to get a supplemental survey

When we commission a custom survey our history is that the data we get back is not robust enough to make good decisions from the data.
Minimum # of incumbents.. I don't understand this... We may want to include some information about what would trigger us to commission a supplemental survey...something general in the speaker notes about how a trainer might explain them.. is a supplemental survey the same as a custom survey????  Is this something that BGHR initiates based on discussions with the business group????

Add an example....American Society of Toxicology... one toxicologist at Intel

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Compensation

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# Intel's Compensation Benchmarking, Continued

Slide 15 –
Market Rates

**Setting Market Rates**

➢ The survey data is now ready to be analyzed to price our jobs.

➢ The CAR team reviews market data against current Intel rates to assess the following:

  • Pay progression in a job family– do the pay differences flow in a logical progression?

  • Are there outliers that make the data suspect?

  • Do we need to blend data from supplemental surveys for any positions?
    – Example- The Radford survey contains market data for Environmental health and safety jobs, we also have data from the Foushee survey. We will blend these data points to derive a competitive market rate for the jobs- using a weighting for each survey's data.

➢ If there is not a market match for the job a rate must be derived.

  • Rates are derived by matching to similar jobs in the survey that require like skill sets, as well as using existing grade range data.

15    Intel Confidential    (intel)

Review the contents of the slide.

Slide 16 –
Practice Exercise

**Practice Exercise**

Use the following questions to check your understanding of Intel's compensation strategies, objectives and timelines. At each table work as a team to answer the following questions. Write your answers on a piece of paper. You will have 5 minutes to complete. The team with the most correct answers will win.

1. Matching Intel jobs to market jobs using job content,  description, and skill is completed in what quarter?
2. Position of Market for jobs in GAR is completed in which quarter?
3. Fill in the blank on the following sentence. _____ involves determining salary level by "aging" market salary data forward to April 1, when salary increases become effective.
4. BGHR and Compensation team members complete Pre Focal Analysis of External Market Data during what quarter?
5. In which quarter does the CAR group set salary rates?
6. Practice matching CM job description to the market descriptions

16    Intel Confidential    (intel)

Divide the class into table groups to work on the practice exercise. Allow five minutes for questions 1-5 and 5 minutes for question 6. Refer the participants to page 10 of the Participant Guide.

*Continued on next page*

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## Intel's Compensation BenchmarkingClass Outline, Class Outline Practice Exercise

1. Matching Intel jobs to market jobs using job content, description, and skill is completed in what quarter?

   Answer:_____Q1_____.

2. Position of Market for jobs in GAR is completed in which quarter?

   Answer:_____Q4_____.

3. Fill in the blank on the following sentence. <u>Lead – Lag Strategy</u> involves determining salary level by "aging" market salary data forward to April 1, when salary increases become effective.

4. BGHR and Compensation team members complete Pre Focal Analysis of External Market Data during what quarter?

   Answer:_____Q4_____.

5. In which quarter does the CAR group set salary rates?

   Answer:_____Q4_____.

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## Intel's Compensation BenchmarkingClass Outline,Class Outline Practice Exercise, *Continued*

Intel has a job role called **Commodity Specialist Grades 3-5.** The job description is as follows:

> Coordinates purchasing activities with manufacturing and engineering departments to acquire materials, components, equipment, and services in a cost effective and timely manner. Supports commodity deliverables to assure cost, quality, availability and time to market objectives are met.

> Acquires and maintains technical understanding of products purchased. Performs cost analysis and volume planning for major commodities. Performs benchmarking and develops new supply sources where vendors and suppliers are inadequate. Monitors the cost, schedule and scope of assigned subcontracts to assure best quality at best value.

> May recommend cost saving proposals including make-versus-buy analysis, value engineering, design for cost initiatives, alternative sourcing and vendor evaluation criteria. Responsibilities may also include contract negotiation and maintenance, setting supplier expectations and tracking performance.

> At higher levels may require domestic or global expertise of assigned commodities.

**Your task:** Evaluate each job description below and determine which job is the best match to the Intel job description, and why. If there is more the one match how would you weight the matches? Do you need additional data to make the decision? What additional data might be used to help make the decision?

**Job Description #1 - Commercial Contracts Mgmt (Levels 2 through 6):**

**GENERAL DESCRIPTION:** Oversees the negotiating, structuring, and management of contractual documents that establish business relationships with vendors, customers and/or partners. Reviews and approves documents for protection of the company's contractual posture and adherence to company policy. Advises management of contractual rights and obligations and provides interpretation of terms and conditions. Selects, develops, and evaluates personnel to ensure the efficient operation of the function.
**SCOPE** (corresponds to Intel's grade range criteria): Receives assignments in the form of objectives with goals and the process by which to meet goals. Provides direction to

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employees according to established policies and management guidance. Administers company policies that directly affect subordinate employees. Recommends changes to unit or sub-unit policies. Management reviews work to measure meeting of objectives.

**JOB COMPLEXITY:** Works on issues where analysis of situation or data requires review of relevant factors. Exercises judgment within defined procedures and policies to determine appropriate action.

**DISCRETION:** Erroneous decisions or failure to achieve results will cause delays in schedules.

**INTERACTION:** Frequently interacts with subordinate supervisors and functional peer groups. Interaction normally requires the ability to gain cooperation of others, conducting presentations of technical information concerning specific projects or schedules.

**SUPERVISION:** Provides direct supervision to exempt employees and/or skilled, nonexempt employees (i.e., technicians, designers, support personnel). Acts as advisor to unit or sub-units and may become actively involved, as required, to meet schedules and resolve problems.

**Job Description #2 – Purchasing for Manufacturing 2'Purchasing Mgmt (Levels 1 - 6):**

**JOB DESCRIPTION:** Plans and implements activities related to the procurement of materials, parts, components, and equipment. Directs the activities of buyers and expediters to accomplish company objectives. Reviews and approves purchases up to a specified dollar amount. May negotiate major contracts involving large dollar amounts. Develops policies and procedures for the operation of procurement activities. Monitors the cost, schedule and performance aspects of major subcontracts. Coordinates purchasing activities with engineering and manufacturing departments to maintain inventories at planned levels. May assist with the establishment and maintenance of the production control system. Selects, develops, and evaluates personnel to ensure the efficient operation of the function.

**SCOPE:** Receives predetermined work assignments that are subject to a moderate level of control and review. Directs subordinates to complete assignments using established guidelines, procedures, and policies.

**JOB COMPLEXITY:** Works on issues of limited scope. Follows established practices and procedures in analyzing situations or data from which answers can be readily obtained. Monitors daily operations of a unit or sub-unit. Requires full knowledge of own area of functional responsibility.

**DISCRETION:** Erroneous decisions or failure to achieve results may cause delays in schedules.

**INTERACTION:** Interacts daily with subordinates and/or functional peer groups. Interaction normally involves exchange or presentation of factual information.

**SUPERVISION:** Provides immediate supervision to a unit or group of employees, assigning tasks, checking work at frequent intervals, and maintaining schedules. A

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**Compensation**

**201**

portion of time is normally spent performing individual tasks related to the unit or sub-unit. Generally supervises semi-skilled nonexempt employees (i.e., assemblers, operators, clerical).

**Job Description #3 - Buyer (Levels 1 through 4):**
**JOB DESCRIPTION:** Coordinates purchasing activities with manufacturing and engineering departments to acquire inventory in a cost effective and timely manner. Acquires and maintains technical understanding of products purchased. Performs cost analysis and volume planning for major commodities. Obtains materials, components, equipment and services. Develops new supply sources where vendors and suppliers are inadequate. Monitors the cost, schedule and scope of assigned subcontracts to assure highest quality at best value. May recommend cost saving proposals including make-versus-buy analysis, alternative sourcing and vendor evaluation criteria.
NOTE: This job has been placed in a professional category for orientation purposes only. This placement should not be considered a recommendation from Radford Surveys concerning employee exemption status. Participants are reminded to apply appropriate FLSA salary and duties tests to determine overtime eligibility. Do not rely upon job title or reported market practices for guidance.
**KNOWLEDGE:** Learns to use professional concepts. Applies company policies and procedures to resolve routine issues.
**JOB COMPLEXITY:** Works on problems of limited scope. Follows standard practices and procedures in analyzing situations or data from which answers can be readily obtained. Contact with others is primarily internal.
**SUPERVISION:** Normally receives detailed instructions on all work.
**EXPERIENCE:** Typically requires no previous professional experience.

Answer:

The closest match is buyer, primarily because it's an individual contributor; between the other two job roles the commercial contract management is more applicable.

In making this decision C&B weighted two of the jobs... the buyer job at 75% and the current contracts job at 25%.... Additional information they'd need is how many people are in the job and at what grade levels. We need to ask what's our practice at using the job. Are we using it at lower or higher grade levels? What are our average salaries for the job and what is the turnover rate and the hiring data (offers to accept rate)? All of that information would be a part of the final decision.
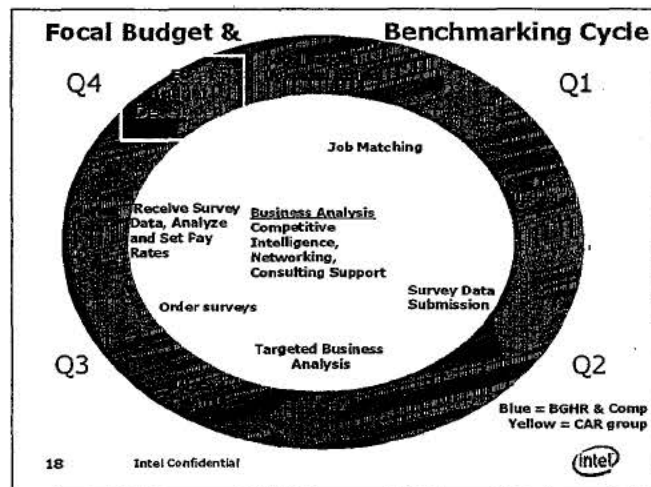
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# Focal Budget Development

Slide 17 – Focal
Budget Factors



Slide 18 – Focal
Budget



This slide shows the point in the annual cycle when the focal
budget is developed for the year.
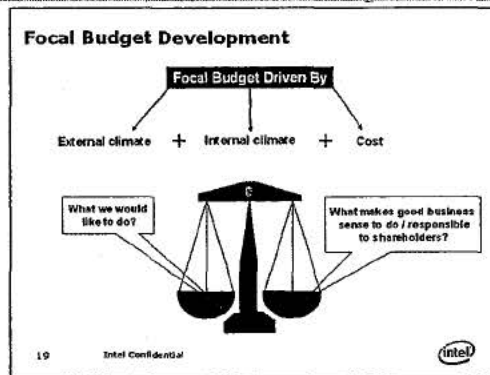
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# Focal Budget Development, Continued

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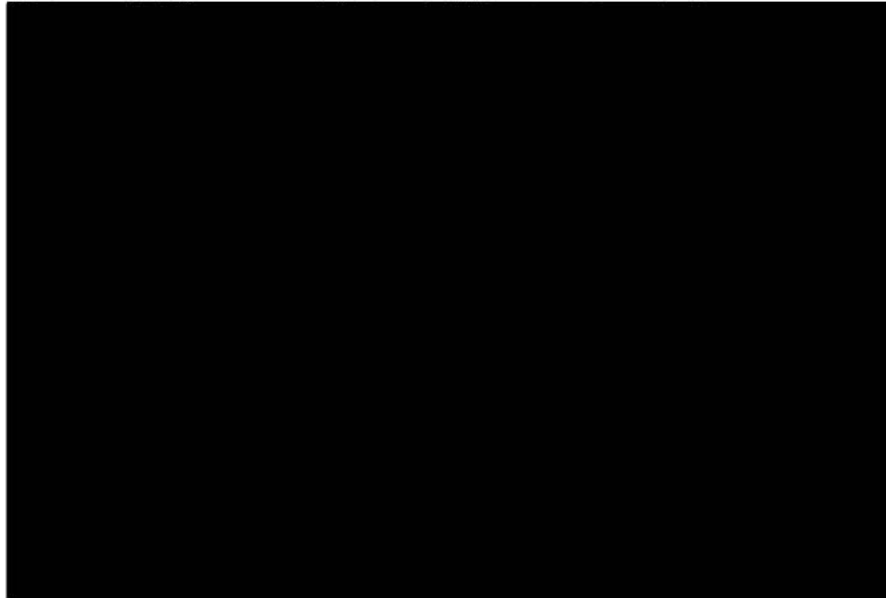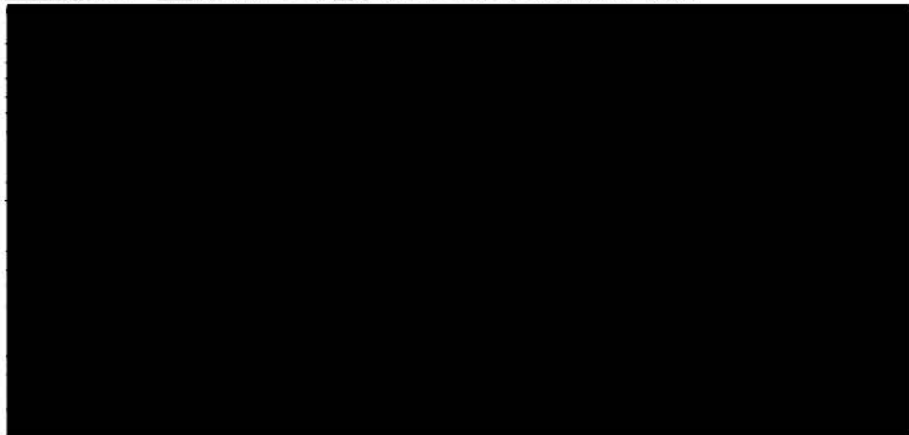Compensation 201

Slide 19

**Focal Budget Development**

Focal Budget Driven By

External climate    +    Internal climate    +    Cost

What we would like to do?

What makes good business sense to do / responsible to shareholders?

19          Intel Confidential                    (intel)

**EXTERNAL CLIMATE includes the following factors:**

**INTERNAL CLIMATE includes the following factors:**

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## Compensation

### 201
### Slide 19
### Continued

<u>Additional Factors that are considered  (may need to weed out some of these of make this section more concise)</u>

- Input from BGHR, Staffing and Operations Management through 1:1s, meetings or internal environmental scan questionnaires.
- Are there specific areas where we are experiencing market/internal
  equity issues?
- What is our turnover rate?
    - What are the primary causes for the turnover?
    - Desired, Undesired, Total
    - Is turnover different by grade groupings?
- Are we having difficulty hiring, or are we the only "game in town"?
    - What is our offer to accept ratio?
- What are our hiring projections for the coming year?

WHERE DO YOU GET INPUT: MANAGERS, GENI, MARKET SURVEY, T-COMP PARTNER MEETINGS, ORGANIZATIONS PLAN DOCUMENTS, ENVIRONMENT SCAN.

Balance the numerical results with business strategy and environmental data

- à   turnover, hiring needs, offer to accept ratios
- à   economic activity, market competition for people
- à   We need to evaluate pay to market using the target market position approach AND comparing T-Comp actuals for Intel and the Market.
- à   Judgment needs to be applied to take into account corporate and site business strategies, local market conditions, etc.

I don't see the details for the cost element????

*Continued on next page*

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## Focal Budget Development, Continued

Slide 20 – Focal
Budget Strategy

> **Focal Budget Strategy**
>
> ➢ Developed to address the base pay goals as defined in our 3 year strategy
> ➢ Based on assessment of the external and internal environment
> ➢ Cost is an important element
>   • Budget is based on projected labor costs not Intel profitability or cost of living
> ➢ Depending on current year position to market, it may take a few years to reach the base pay goals
>   • If behind the goals, a few focal cycles (e.g. 2-3 yrs) to catch the market, i.e.. The three year SMA strategy kicked off in 2006
>   • However, hot jobs may require an immediate fix to address market position issues
> ➢ May have different strategy for different employee categories (e.g. manufacturing techs vs. non technical exempts) and/or locations/countries. One size does not fit all!
>
> 20     Intel Confidential                                            (intel)

**This slide explains how we determine the budget strategy for each given year.**

Compensation Market Reports – summary of all the data we use to monitor program effectiveness

Financial rankings enable us to compare our financial performance relative to our peers to ensure we remain business savvy

In a perfect world our T-Comp programs increase/decrease with our financial performance and our overall ranking changes too depending on how our competitors are performing

Eg, we shouldn't rank #1 or 2 if our financial performance approximates #15 or 16

**We look at 2 things:**
1. data; compensation market reports are summary of much more detailed data
2. Relative value of t-comp within the current environment plus the projected future value; this is the "Crystal ball"

Example of T-Comp gaps – base pay is very low but t-comp rank his historically ranked high, given strong bonus and stock performance. However, will the stock factor diminish lose some of its retention value.

Hot spots examples – Certain site or job turnover is much higher than other sites; the market is very competitive and we're trying to ramp a Fab; need to ensure we're close to market or won't be able to hire/retain.  OR analog engineers/optical/wireless/Legal fill in the blank are a hot skill right now; everybody trying to attract from a limited qualified pool; must pay competitively to attract/retain.

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**Compensation**

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## Focal Budget Development, Continued

Slide 21 –
Budget
Development

> **Budget Development**
>
> ➢ Goal: to develop a budget that will ensure overall market competitiveness
> ➢ Once budget strategy is determined, we develop a target "total budget"
>   • Initial costing happens from the bottoms up
>   • Realistic "total budget" or ceiling is also set, cost to the corporation
> ➢ Develop spending alternatives based on the detailed market analysis, e.g.:
>   • Close gap by extra 2% for grade 6
> ➢ Prioritize the spending based on Budget Strategy
> ➢ Budgets will vary by country due to the environmental conditions and priorities
>
> 21        Intel Confidential                    (intel)

Explain that this is a bottoms up approach:
First we create a "wish list" of all gaps we want to close, with
price tags, then add it all up to see total cost.
Usually it costs far more than we can realistically afford.

Total budget approach:
Set the total gap we want to close to market (eg, market
budget is 6% and we want to gain 2%; we would set a total
budget of 8%).

Set Spending alternatives:        prioritize our "wish list" and
ZBB when we hit the 8% total budget.

System Competitiveness: Defined as "Actual T-Comp" being
competitive in comparison to our peers, given our relative
company performance

Base pay may still be low, but actual t-comp strong
Three elements to budget

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Compensation

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## Class Outline, Continued

Slide 22 –
Budget Example



This slide shows an example of how Budget strategy becomes a part of budget development.

Slide 23 –
Budget Approval



Budget proposals put into context given the various business objectives.

PSO and CRB sees the summary of internal and external data, summarized market position information, and various budget proposals and spending alternatives
PSO and CRB do not approve/disapprove of specific TMA jobs; he sees the overall spending approach only

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Compensation

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## Focal Budget Development, Continued

Slide 24 –
Budget
Components

| The Focal Budget Components Recap |
| --- |

24    Intel Confidential                    (intel)

Slide 25 - SMA

**Special Market Adjustment**

➤What is SMA and why do we use it?

25    Intel Confidential                    (intel)

Note that when we say **job** we are actually referring to the
combination of a **job and grade** such as Software Engineer
gr. 3. Prioritization: Business need, growth, scarcity of
available talent; turnover concerns; hot markets/emerging
locations, etc.

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## Focal Budget Development, Continued

Slide 26 – POM
and Pay Strategy

Position of Market and Pay Strategy

26    Intel Confidential                                    (intel)

Slide 27 – POM
Example

**Benchmarking the Market – Position of Market Example**

Intel Job Code: *Process Engineer*
➤ Grade = *5*
➤ Ave. Base Pay = *$64,300*
➤ Ave. Total Cash = *$71,560*
  • *Use T-cash estimates*

Survey Match: *Process Development Engineer:*
➤ Level = *2*
➤ Ave. Market Base Rate = *$67,000*
➤ Ave. Market Total Cash Rate = *$68,400*

➤ Market position:
  • Base: *$64,300/$67,000 = 96%*
  • T-Cash: *$71,560/$68,400 = 105%*
  • *In this example Intel average Base Pay is 96% of the Market Average*

27    Intel Confidential                                    (intel)

Be sure to remind the participants that this is just an example and is not real data.
Purpose: Compare Intel pay rates to Market.
Identify gaps and areas of concern which may lead to Focal budget recommendation to address gaps

Market analysis is an "Art", not a "Science"; however it is based on **data.**
Quality & reliability is dependent on job matching process.

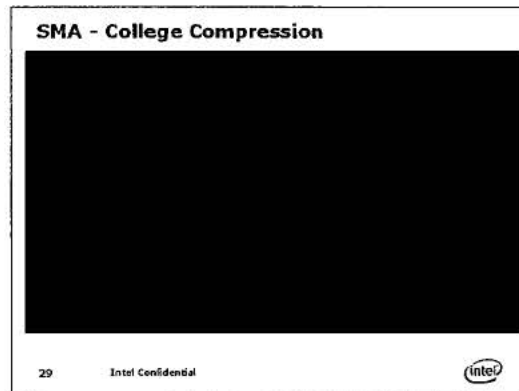*Continued on next page*

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## Focal Budget Development, Continued

Slide 28 – SMA
Critical

| SMA – Critical |
| --- |
| |

28   Intel Confidential                    (intel)

Slide 29 – SMA
College
Compression

| SMA - College Compression |
| --- |
| |

29   Intel Confidential                    (intel)

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## Focal Budget Development, Continued

Slide 30 – Use of SMA

> **Use of SMA**
> ➤ How do we apply SMA?
>
> 30    Intel Confidential    (intel)

Slide 31- Practice Exercise

> **Practice Exercise - Explain the different factors used to develop Intel's yearly Focal Budget**
> Use the following questions to check your understanding of Intel's compensation strategies, objectives and timelines. At each table work as a team t
> You will have 5 minutes to complete. Combine your score with your score  from the previous practice exercise to determine the winning team.
>
> 1. What are the three different types of pay that make up the focal budget?
> 2. What are the three main factors that drive each year's focal budget?
> 3. At what point in the compensation planning cycle is the optimum time for BGHR and the business to give input on job roles and the potential need for salary adjustment?
> 4. Why is it important to get BGHR and business input and ensure job code cleanup **prior** to SMA adjustment decisions?
> 5. What do we mean when we say Total Cash Position-of-Market (POM)?
> 6. How is the strategy for SMA determined?
>
> 31    Intel Confidential    (intel)

Divide the class into  the same table groups used in the previous exercise. Have each group work on the practice exercise. Allow five minutes for questions. Refer the participants to page  21 of the Participant Guide.

Answer key is on the next page.

*Continued on next page*

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Participant Guide – Comp

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# Focal Budget Development Practice Exercise

Here are the answers to the practice exercise questions.

1. What are the three different types of pay that make up the focal budget?
   **Merit pay, Promo dollars, SMA**

2. What are the three main factors that drive each year's focal budget? **External climate, internal climate and cost basis**

3. At what point in the compensation planning cycle is the optimum time for BGHR and the business to give input on job roles and the potential need for salary adjustment? **Not sure what the answer is here... think Q3???**

4. Why is it important to get BGHR and business input and ensure job code cleanup **prior** to SMA adjustment decisions? **Unless accurate job code placement occurs, the SMA adjustments will not accurately reflect Position-of-market.**

5. What do we mean when we say Total Cash Position-of-Market (POM)? **Position of Market (POM) is the *average* Intel pay rate compared to the *average* Market rate for a given position**

6. How is the strategy SMA determined? **SMA is determined by analyzing market data and comparing POM to Intel's pay goals.**

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# BGHR Role in Compensation

Slide 32 – BGHR
Role

> **BGHR Role in Compensation**
>
> Partner effectively with business groups
> to determine when data indicate a need
> to revise business group job role
> benchmarking
>
> 32    Intel Confidential    (intel)

Slide 33 – Next
Steps

> **HRBP's Next Steps**
>
> ➢ What: Use the knowledge gained today to more effectively
>   partner with business groups and Compensation through the
>   Focal process and YRPM.
>   • Refresh on Comp 101 if needed
>   • Look for January focal budget announcements
> ➢ When: Year round, special emphasis during Focal period.
> ➢ How: Utilize the training to identify where BGHR and Comp
>   partner in the Compensation Cycle.
>
> 33    Intel Confidential    (intel)

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# Back Up Material

Slide 34 – Back Up

**Backup**

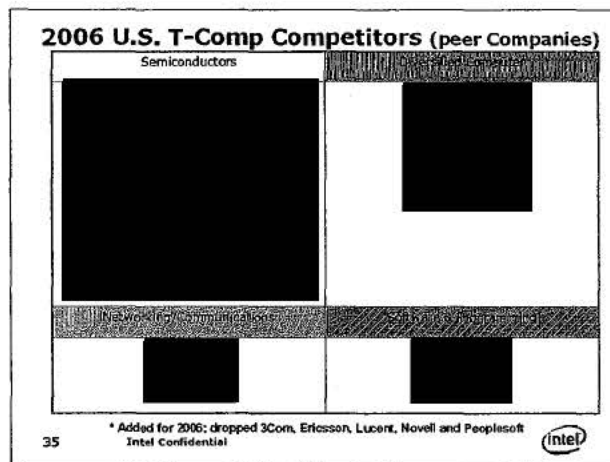34    Intel Confidential    (intel)

Use the back up slides to help answer any questions that might come up during the class.

Slide 35 – T-Comp Competitors

**2006 U.S. T-Comp Competitors** (peer Companies)
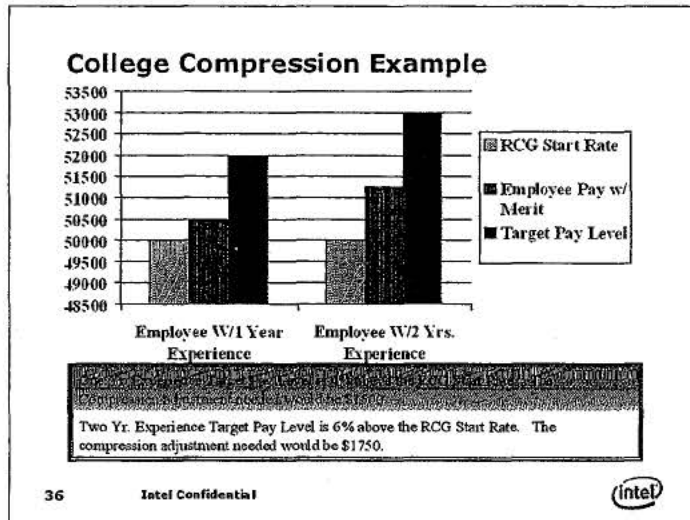
Semiconductors

Networking Communications

* Added for 2006; dropped 3Com, Ericsson, Lucent, Novell and Peoplesoft
35    Intel Confidential    (intel)

*Continued on next page*

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## Back Up Material, Continued

Slide 36 -
Example



Slide 37 –
Implementation
Plan

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## Back Up Material, Continued

Slide 38 – T-Cash Goals

**Total Cash Goals Grades 2-8, Non Exempt and Sales Grades to 84**

Intel Total Cash Pay Goals

38      Intel Confidential                        (intel)

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# Exhibit D

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(intel)

# FSM
# Pre-Focal Analysis 2007

January 5, 2007
Elizabeth Waterman, Compensation Consultant

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# 2007 Pre-Focal Prep

**Today's Objective:**

Review and educate on '07 Market data, budget and group compensation trends

**Agenda:**
- Review Focal budgets
- Review and discuss biz group specific analysis
- SMA Strategy and Priorities
- Grade 11-12 Staff
- Wrap Up

The data in this presentation provides compensation analysis that may help you when developing your Focal objectives

2                                     Intel Confidential

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# Focal "Sound bites"

**Merit and promotion budget recommendations track with the market**
- Merit and promotion increases similar to last year

**Intel continues with 3-year SMA strategy**
- ▬▬▬▬▬▬▬▬▬▬▬▬▬▬▬▬▬

- **Improving market competitiveness**
  - Base Pay for Grade 11+
  - EB targets for Grade 10-11
  - Salary Ranges
- **Changes to Stock Option program** in line with strategy communicated last year to managers to reduce SOP.
  - ▬▬▬▬▬▬▬▬▬▬▬▬▬▬
  - ▬▬▬▬▬▬▬▬▬▬▬▬▬▬

- **Apply meritocracy** and **"do the right thing"**

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